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STATE PASS TO USTR FOR WEISEL
STATE PASS TO FEDERAL RESERVE SAN FRANCISCO FOR DAN FINEMAN
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SUBJECT: SOMKID PLANS OWN POLITICAL PARTY

SENSITIVE BUT UNCLASSIFIED HANDLE ACCORDINGLY

11. (SBU) Summary. On March 14 Econoff met with Somkid Jatusripitak, Deputy Prime Minister for the Economy during the Thaksin regime and, for five days, the current government's spokesman on "sufficiency economy" questions. In a wide-ranging discussion, Somkid expressed full confidence that elections would be held by early 2008 at the latest, that with former Deputy PM Pridiyarthorn's departure RTG policies will become friendlier towards foreign investors and that he plans to form his own political party and run in the next elections "if the new constitution is good enough." Somkid expressed confidence that with more appropriate economic policies, the Thai economy could again grow at a pace in line with other regional economies because Thailand "has a good, sound base from which to build." End Summary.

The Old Economic Policies are Dead

12. (SBU) Accompanied by his key advisors, former Vice Minister for Commerce, Dr. Uttama Savanayana, and former Secretary (a politically-appointed advisory position) to the Commerce Minister, Pimon Srivikorn, we met with Somkid in the "Royal Suite" at the Bangkok Intercontinental hotel, owned by Pimon's family. Somkid began by acknowledging that recent Thai economic policies were bad and "damaged confidence of foreign and Thai investors." He blamed these policies entirely on former Deputy PM Pridiyathorn and Bank of Thailand governor Tarisa whom he described as "arrogant" and "just a regulator" respectively. Somkid absolved the rest of the government from any responsibility for problematic economic policies explaining that PM Surayud "is just a soldier who doesn't know anything about economics and he left everything in that field to Pridiyathorn." Somkid also argued that Pridiyathorn did not confer with other ministers or outsiders when devising his policies. He did not answer our question as to why Pridiyathorn chose these policies other than that the former Deputy PM "is extremely confident."

13. (SBU) Economic policies such as capital controls and the FBA amendments will soon be reversed, according to Somkid, the only question is how long is needed to do so in order to avoid the government "losing too much face." He claimed that Deputy PM Kosit "takes his orders from (Bangkok Bank president) Chattri" and therefore will do whatever is good for business. He urged us to encourage a committee of foreign business leaders here to meet with Kosit to express their concerns.

14. (SBU) Somkid said he has recently met with several leading Japanese and PRC businesspersons who have decided to put off any additional investments in Thailand "for at least one year after elections." He claimed that this extends to JBIC which has been approached by the RTG to help fund light rail expansion projects in

Bangkok. Somkid says JBIC will not say no to the loan request, but will stretch out negotiations as needed. Despite this, Somkid believes that the Thai economy "will be OK because we have such a good base" and that investors will quickly return to Thailand once political stability is restored.

Political Ambition

¶5. (SBU) Turning to politics, Somkid repeatedly said "don't worry" about the current regime given up power; "elections will be held end of the year; early next year at the latest." Regarding the drafting of the new constitution, Somkid argued that even if the new version is defeated in a referendum, the RTG "will simply pull the old one off the shelf" and elections will be held as planned; "we are too democratic now for anything else to happen."

¶6. (SBU) Somkid then asked "what would the Americans think if I form my own political party." He went on to explain that he has the support of about 100 former MPs "and a large part of the business community." Like any good politician, Somkid averred that he would rather stay retired and out of politics but that he should take advantage of being "so popular." The deciding factor will be whether the draft constitution allows for an appointed PM; if so then Somkid said he will not proceed with his party. That said, he and his advisors all argued that popular sentiment against such a clause in the constitution made it highly unlikely that appointed PMs would be incorporated into the draft.

¶7. (SBU) In response to our question about whether he might be excluded from politics if the Thai Rak Thai party is found guilty of violating election laws and dissolved by court order, Somkid responded that "it all depends on the generals and what they want." He said that he believes that the CNS "will pick and choose a few people they want to exclude" and that he and Pimon will be exempted. On the other hand, he believes that Thaksin will certainly be excluded from politics by the court.

¶8. (U) Somkid has begun formulating the basis of his party's economic platform; basically a middle path between the "sufficiency economy" philosophy currently espoused and the demand-led, high growth approach he pursued when working for Thaksin. His new approach, Somkid explained, is based on "four pillars", namely "sufficiency by adopting a culture of productivity and a culture of collaboration; 'virtue' by introducing market as well as moral wisdom; 'capacity' focusing on education; and 'balance' focusing on fair income distribution between city and rural areas and balancing the economy in both domestic and international fronts, and allowing greater participation from the private sector on policy/strategy making." Finally, he wants to differentiate Thailand by positioning the country on the basis of its "Thainess" meaning its culture of hospitality, cooperation and style.

¶9. (SBU) Comment. Somkid was jovial and relaxed and seemed unperturbed by last month's debacle which saw him resign from working for PM Surayud after only 5 days. While he did not want to talk about those events, he said he thought the outcome made him more popular and made Pridiyathorn an unviable political figure. When we asked why Pridiyathorn resigned, Somkid said he didn't know and noted "I was the one who appointed him Governor; I don't know why he hates me." Somkid was extremely confident that he can win an election, pointing to Pimon and saying "you should get to know him better, he will be a minister some day." As usual, Somkid emphasized his connections to China and Japan which he clearly sees as key to Thailand's long-term economic future. He argued that US companies should work with Thai companies to penetrate the Chinese market; "we know them; we're the same; and you know us. We all went to American universities." BOYCE